MULTIMEDIA UNIVERSITY

STUDENT ID NO

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FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2215)

BIB2074 – INTERNATIONAL BUSINESS

(All Sections/Groups)

18 FEBRUARY 2023
9.00 A.M. - 11.00 A.M.
(2 Hours)

INSTRUCTION TO STUDENTS

1. This question paper consists of **FOUR** pages with **THREE (3)** questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers for in the Answer Booklet provided.

SECTION A: CASE STUDY

Important: Questions 1 and 2 are based on the following Case.
When attempting the questions, support your answer with evidence from the Case and/or general knowledge where appropriate.

Canada says it will ban two of China's biggest telecoms equipment makers from working on its 5G phone networks.

The restrictions against Huawei and ZTE were announced by the country's industry minister on Thursday. Francois-Philippe Champagne says the move will improve Canada's mobile internet services and "protect the safety and security of Canadians". But Huawei Canada said it was "disappointed" by the decision, which it said was "political". "This is an unfortunate political decision that has nothing to do with cyber security or any of the technologies in question," a statement said.

Several nations - including the UK, US, Australia and New Zealand - have already put restrictions on the firms. The four countries, along with Canada, make up an intelligence-sharing arrangement named **"Five Eyes"**. It evolved during **the Cold War** as a mechanism for monitoring the Soviet Union and sharing classified information.

Canada's announcement was widely expected, as its allies had already barred Huawei and ZTE from their own high-speed networks. Speaking to reporters in the Canadian capital of Ottawa, Mr Champagne said the decision came after "a full review by our security agencies and consultation with our closest allies". "Let me be very clear: We will always protect the safety and security of Canadians and will take any actions necessary to safeguard our telecommunication infrastructure," he added."In a 5G world, at a time where we rely more and more in our daily lives [on] our network, this is the right decision."

A spokesperson for the Chinese embassy in Ottawa told the Reuters news agency that Beijing sees the security concerns raised by Canada as a "pretext for political manipulation". The spokesperson for China also accused Canada of working with the US to suppress Chinese companies. The Chinese embassy in Ottawa did not immediately respond to BBC requests for comment.

Huawei Canada said its equipment had been "closely scrutinised" by the government and security agencies, and added there had been "zero security incidents caused by Huawei equipment". "Banning Huawei's equipment and services will lead to significant economic loss in Canada and drive up the cost of communications for Canadian consumers," a statement said. "Unfortunately, this decision is beyond our control as a business. However, we will do everything in our capacity to protect the legitimate rights and interests of our customers, partners, and ourselves."

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Meanwhile, ZTE said it rejected the "premise" of the Canadian government's announcement, saying it was "highly speculative". "We have always abided by international standards and best practices, opening up our cyber security labs to enable regulators and stakeholders to verify the security of ZTE products," the firm said.

5G, or fifth generation, is the next upgrade to mobile internet networks, offering much faster data download and upload speeds. It also allows more devices to simultaneously access the internet. It comes as data usage is soaring, as the popularity of video and music streaming grows. This is pushing governments and mobile phone network operators to improve their telecommunications infrastructures.

The Canadian government's decision means that telecoms firms in country will no longer be allowed to use equipment made by Huawei and ZTE. Companies that have already installed the equipment made by the Chinese manufacturers must now remove it, Mr Champagne said. Canada first announced a review of Huawei equipment in September 2018.

Some of China's biggest technology and telecoms firms have been targeted in recent years by governments in the US and other Western nations over national security concerns. In November, US President Joe Biden signed legislation that stops companies judged to be security threats from receiving new telecoms equipment licenses in the country. It means equipment from Huawei, ZTE and three other Chinese companies are banned for use in US telecoms networks.

Source: by Annabelle Liang, BBC, 20 May 2023

QUESTION 1

In China, Articles 7 and 10 of the PRC's National Intelligence Law have been among the most controversial bills that has contributed to Huawei's ban.

Article 7: *All organizations and citizens shall support, assist, and cooperate with national intelligence efforts in accordance with law, and shall protect national intelligence work secrets they are aware of. The State protects individuals and organizations that support, assist, and cooperate with national intelligence efforts.*

Article 10: *As necessary for their work, national intelligence work institutions are to use the necessary means, tactics, and channels to carry out intelligence efforts, domestically and abroad.*

(a) The 'Five Eyes' network is a form of cross-national cooperation. In your opinion what is the main advantage and disadvantage of such high-level cooperation among these countries? (10 marks)

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(b) The ban exhibits a *pragmatic nationalist* approach to foreign direct investment (FDI) taken by these countries. What do you understand by *pragmatic nationalism*? (5 marks)

(c) Explain how these countries are being pragmatic nationalists through their handling of the Huawei issue. (10 marks)

(d) Explain **TWO (2)** advantages and **TWO (2)** disadvantages of enabling Huawei access to the development of 5G network in these countries. (20 marks)

(Total: 45 marks)

QUESTION 2

Besides the 'Five Eyes' countries, many other countries such as Japan, India, France, Italy and Vietnam have also placed restrictions on Huawei. This have significant implications on the globalization of China, in particular their Belt and Road (BRI) ambitions, which also includes a 'Digital Silk Road' to electronically connect the economies of continental Asia, Europe and Africa. The performance of the BRI has been rather lacklustre.

(a) What do you understand with the term *globalization*? (5 marks)

(b) Based on your understanding of the globalization debate, explain **FOUR (4)** factors that may have contributed to the slowdown of China's BRI initiative. (20 marks)

(Total: 25 marks)

SECTION B: THEORETICAL QUESTIONS

QUESTION 3

Among the most important commodities traded between the United States and China are soybeans and corn. Assume both China and the United States have 800 units of resources each, and the resources are equally distributed for the production of soybeans and corn. China uses 20 units to produce 1 mil. tonnes of soybeans and 32 units to produce 1 mil. tonnes of corn. On the other hand, the United States uses 50 units to produce 1 mil. tonnes of soybeans and 40 units to produce 1 mil. tonnes of corn.

Based on the principles of comparative advantage, both countries later decided to specialise. China increases its resource allocation for soybean production to 560 while the United States specializes completely in the production of corn. Both countries then traded on the basis of 8 soybeans for 8 corn.

[Note: Sub-sections (a), (b), and (c) should be presented together in a table].

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(a) Differentiate between the principles of *absolute advantage* and *comparative advantage*. (10 marks)

(b) Before specialisation, what is the combined production of both countries for soybeans and corn? (6 marks)

(c) After specialisation based on comparative advantages, what is the combined production of both countries for soybeans and corn? (6 marks)

(d) After trade, what are the extra amounts of soybeans and corn enjoyed by both countries? (8 marks)

(Total: 30 marks)

End of Paper